



Hennepin County Cleanup Loan—Finding a Niche with Innovative Financing

Hennepin County, MN

Hennepin County, Minnesota, has been faced with the same problem so many other counties across the nation have encountered—"brownfields," former industrial properties, some contaminated, that have been left idle and often abandoned. These brownfields have affected their surrounding communities and reduced property tax revenues. Hennepin County, long plagued by these properties, has worked in partnership with state, local, and federal partners to place these properties into productive reuse. With assistance from EPA's Brownfields Program and other federal, state, and local agencies, as well as private investors, Hennepin County's idle brownfields are being transformed. In particular, two of Hennepin County's former adjacent brownfields properties in Minneapolis are being redeveloped as part of a multi-million-dollar project that will provide a mixture of luxury and affordable housing in combination with retail and office space. One of the properties is already fully redeveloped, and the other is undergoing construction.

The property's impending economic and environmental transformation was in part made possible by Hennepin County's receipt of an EPA's Brownfields Cleanup Revolving Loan Fund (BCRLF) Pilot. BCRLF Pilots enable states, counties, cities, and Native American tribes to make low-interest loans that facilitate the cleanup and redevelopment of brownfields properties. To date, EPA has awarded 112 BCRLF Pilots that have leveraged more than \$70 million in redevelopment funding from the BCRLF loans issued. Hennepin County received its original \$500,000 BCRLF Pilot in September 1999, \$500,000 in supplemental funding in August 2001, and an additional supplemental grant of \$500,000 in May 2002. Using an innovative loan agreement, the Pilot has successfully authorized two loans for the Village at St. Anthony Falls with reduced administrative burden, for a total of \$875,000, \$665,000 of which has already been distributed. In addition, the Pilot has executed a third loan for \$450,000 for the Prospect Park neighborhood of Minneapolis.



Hennepin County redevelopment in progress.

JUST THE FACTS:

- Residents of local neighborhoods affected by brownfields have been involved in the reuse decisions for the properties being redeveloped with the help of Brownfields Cleanup Revolving Loan funds.
- A total of 177 housing units—48 town homes, 12 three-story brownstones, 84 loft-style condominiums, and 30 affordable apartments—are part of the Village at St. Anthony Falls redevelopment project.
- It is expected that this project will return more than \$92 million in redevelopment costs, increase the city's tax base by \$2.6 million, and create as many as 150 permanent jobs.

With assistance from EPA's Brownfields Program and other federal, state, and local agencies, as well as private investors, Hennepin County's idle brownfields are being transformed. Two former brownfields in Minneapolis are being redeveloped as part of a multi-million-dollar project that will provide a mixture of luxury and affordable housing in combination with retail and office space.

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The Hennepin County BCRLF Pilot has provided assistance in downtown Minneapolis along the Mississippi River, only blocks away from where the city was first established in the mid-1800s. Minneapolis, one of the largest cities in the nation, is located at the navigational head of the Mississippi River at St. Anthony Falls. A loan for \$425,000 from the Hennepin County BCRLF has helped to fund the property restoration efforts on a former abandoned and contaminated car dealership and associated automotive services facility comprising two city blocks (Blocks 1 and 2). A second BCRLF loan for \$240,000 has funded, in part, the restoration efforts on a third block (Block 3) which had, over time, been occupied by various commercial and residential facilities, a stone quarry, various manufacturing operations, a taxi garage, and a trucking facility. Located on Second Street NE near University and East Hennepin Avenues, these three city blocks are now referred to as the Village at St. Anthony Falls development project.

Although the Pilot distributed the current revolving loan funds to two different recipients, Fire Barn Associates and Housing Partners III (for Blocks 1 and 2 and Block 3, respectively), the Village of St. Anthony Falls is being developed as one entity as part of the community's master plan for that area. Residents of local neighborhoods affected by the St. Anthony Falls project have been involved in the reuse decisions for the properties being redeveloped with the help of the BCRLF funds. As the size of the community grew in this area, community leaders lobbied for a pedestrian-friendly environment to reflect these changes. The community wanted a combination of retail and office space, affordable housing, and luxury housing to capitalize on the real estate value of the near-river property.

A total of 177 housing units—48 town homes, 12 three-story brownstones, 84 loft-style condominiums, and 30 affordable apartments, many of which are completed or under construction—are part of the Village of St. Anthony Falls redevelopment project. This project also includes 1,500 square feet of commercial retail and 3,000 square feet of commercial office space. Construction on Blocks 1 and 2 is complete and Block 3 construction is underway. It is expected that this project will return over \$92 million in redevelopment costs, increase the city's tax base by \$2.6 million, and create as many as 150 permanent jobs.

When EPA awarded Hennepin County its BCRLF grant, it did so in a state well versed in property reuse. Minnesota's sophisticated brownfields redevelopment community has been a progressive economic revitalization and environmental restoration force since the early 1990s. Within this strong framework, the Hennepin County BCRLF Pilot was able to find a niche that provided community developers additional options for funding. With such high capital needed for successful redevelopment efforts (typically more than \$1 million), it is imperative to ensure that developers have access to adequate redevelopment funding. The Pilot has been able to meet that community need and provide financing flexibility necessary to leverage additional private and public funding (a grand total of more than \$30 million to date). Both loans already distributed for the Village of St. Anthony Falls redevelopment, as well as the newly executed third loan, have provided the necessary funding to supplement existing federal, state, local, and private grant money to make these projects possible.

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In addition, the Pilot has taken an innovative approach to its BCRLF loans. Because it is common to find more contamination once cleanup at a property begins, Hennepin County introduced an escalation clause to its loan agreement. This clause provides for the loaning of additional cleanup funds in the event that unexpected contamination is found on the property during cleanup. This innovative loan agreement reduces administrative burdens on both the issuing agency and the loan recipients. The original cleanup loan with one of the primary developers, Fire Barn Associates, for the Village of St. Anthony Falls project was for \$240,000, with an escalation clause for up to a total of \$425,000. The developer did indeed need to take advantage of this clause, and ultimately received the full allocation of the loan. Although it has not yet requested the full allocation of its loan, the second primary developer, Housing Partners III, has the ability to escalate its loan from \$240,000 to \$450,000.

CONTACTS:

For more information contact
US EPA - Region 5 (312) 353-2513

Or visit EPA's Brownfields Web site at:
<http://www.epa.gov/brownfields/>



A former brownfield, addressed under the Village at St. Anthony Falls project.

The Hennepin County RLF Pilot executed its third loan for \$450,000 in August 2002. The loan was made to East River LLC for the cleanup of a 4.6 acre parcel south of the Village of St. Anthony Falls property, in the Prospect Park neighborhood of Minneapolis. The property has long been an industrial island in an otherwise residential area. Prospect Park/East River Road Improvement Association (PERRIA), the local neighborhood group, has been very active in moving the property toward cleanup and residential reuse. The property, 825 Thornton Avenue, will be developed by East River LLC into a residential area, which is the community's preference. The BCRLF loan will provide the additional funding necessary to overcome the financial hurdles of property cleanup associated with redevelopment. The developer had previously unsuccessfully applied for a county grant to help clean up this property, before becoming aware of BCRLF Pilot funds. The soil cleanup at this property was completed in November 2002; construction is expected to begin in Summer 2003.

The Hennepin County BCRLF Pilot has proven to be an ideal example of recognizing a need and filling a niche to provide its communities and developers with the financial flexibility needed to achieve redevelopment goals. By providing additional financing to close the gap between the possibility of redevelopment and the actuality of economic revival, the Pilot has been able to contribute to the building of a strong Minneapolis downtown area and provide local communities the means to meet their vision. Through the innovative use of escalation clauses in its loan agreements, the Pilot has successfully reduced administrative burden and streamlined the effective cleanup of Hennepin County's brownfields properties.